



Avon Fire Authority

**Statement of Accounts
2003/2004**

Avon Fire Authority

Statement of Accounts

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Explanatory Foreword by the Treasurer

Introduction

These accounts present the Fire Authority's financial performance and position for the year ended 31 March 2004.

The Accounts comprise:

The Statement of Accounting Policies - this explains the basis on which the figures in the accounts are calculated.

The Revenue Account - this summarises expenditure and income for 2003/04.

The Balance Sheet - this shows the assets and liabilities of the Authority at 31 March 2004.

The Statement of Movements in Reserves - this statement brings together all the changes in the Authority's reserves during the year. The statement separates the movement between revenue and capital reserves.

The Cashflow Statement - this summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

The Statement of Responsibilities for the Statement of Accounts – this statement sets out the respective responsibilities of the authority and the treasurer for the accounts.

The Statement on Internal Control – this statement sets out the framework within which financial control is managed and reviewed and the main components of the system, including the arrangements for internal audit. It also reports on significant identified weaknesses and the actions undertaken to rectify these.

Corporate Governance Code –incl. Statement of Assurance – this code is consistent with the framework document 'Corporate Governance in Local Government' and sets out the adopted arrangements for the governance of the Fire Authority's affairs and stewardship of its resources. It is designed to demonstrate that the authority's business is properly conducted and accountable.

The Revenue Account, Balance Sheet, Statement of Movements in Reserves and Cashflow Statement are supported by notes, which provide additional information. The statement of accounts meets the requirements of the Code of Practice on Local Authority Accounting (Revised 2003) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Spending in 2003/2004

Funding for the Avon Fire Authority was provided by way of contributions from each of the Unitary Authorities in its area. The contribution level for each authority is determined by its Council Tax Base and the contributions received were as follows:-

Authority	Contribution	
	£'000	%
Bath and North East Somerset	6,892	18
Bristol	13,256	36
North Somerset	7,668	21
South Gloucestershire	9,383	25
	<u>37,199</u>	<u>100</u>

In broad terms, where the Authority's funding came from and what it was spent on during 2003/2004 can be analysed as follows:

Source of funds	%	Application of funds	
			%
Unitary Contributions	97.8%	Employees	83.0%
Other Income	2.2%	Premises	3.3%
		Transport	3.3%
		Supplies and Services	8.4%
		Support Services	1.0%
		Capital	1.0%

Set out below is a comparison between actual expenditure and budget for the year.

	Budget 2003/2004 £'000	Actual Expenditure 2003/2004 £'000	Difference £'000
Expenditure on Services			
Employees	31,452	31,564	112
Premises	1,352	1,283	(69)
Transport	1,150	1,248	98
Supplies & Services	3,183	3,197	14
Support Services	342	379	37
Capital Financing	420	371	(49)
Income	(524)	(627)	(103)
	<u>37,375</u>	<u>37,415</u>	<u>40</u>
Investment Income & Interest on Balances	<u>(176)</u>	<u>(216)</u>	<u>(40)</u>
Net Operating Expenditure	<u>37,199</u>	<u>37,199</u>	<u>0</u>

Details of the major variations between budget and expenditure are:

There was an underspend on employees of £299k before the transfer to the pension provision of (£411k). The underspend relates mainly to an underspend of (£529k) on the net pensions budget which was the result of significantly higher transfer values in than anticipated together with lower than forecast expenditure. This underspend was reduced by an overspend on retained firefighters (£212k) as result of the effects of the pay award and additional activity.

The underspend on premises relates to reduced running costs whilst the overspend on transport relates primarily to increased vehicle maintenance and travel costs.

The overspend on support services relates mainly to higher than anticipated external audit fees whilst the underspend on capital financing is as a result of the effects of slippage on planned capital expenditure.

The additional income arises primarily from increased recharges for the secondment of firefighters to the ODPM & Fire Service College and higher interest on balances than anticipated.

Capital

The Fire Authority's capital expenditure is subject to Central Government capital controls which limit the amount that the Fire Authority is able to borrow to fund its capital expenditure. Each year Central Government issues the Fire Authority with a Basic Credit Approval which broadly sets the maximum amount that it is able to borrow. In addition Supplementary Credit approvals can also be issued for specific capital schemes.

Under the Local Government Act 2003 this system of capital controls has been replaced with effect from 2004/05 by a local prudential system. Under this new system the level of borrowing will be a matter for the Fire Authority to determine in accordance with the Prudential Code issued by CIPFA (subject to longstop controls). In determining the level of borrowing the Prudential Code requires the Fire Authority to ensure that its capital investment plans are affordable, prudent and sustainable.

For 2003/04 the Authority's Basic Credit Approval (BCA) was £838k and in addition £731k of unused credit approval from 2002/03 was transferred from Bristol City Council. Actual capital expenditure during the year was £861k (excluding capital creditors for 2003/04 but including creditors for 2003/04). Further details relating to capital expenditure can be found in the notes to the Balance Sheet.

Joint Training Centre – Private Finance Initiative (PFI) scheme

The Authority, in partnership with Gloucestershire County Council and Somerset County Council, has invested in a PFI project to provide a joint fire and rescue service training centre at Avonmouth. Under this scheme the Authority will receive a significant element of its fire training from VT Fire Training (Avonmouth) Ltd., who designed, built, financed and now operates (DBFO) the training centre.

The Government provides some revenue support to the project in the form of grants (PFI credits), and the three authorities fund the balance by making contributions from within their own resources. In order to spread the contributions required on an even basis over the twenty five year life of the contract an equalisation reserve is operated by Gloucestershire County Council which administers it on behalf of the three authorities. The grant from the Government together with the contributions from each of the partners is paid into the reserve and payments due under the contract are then met

from it. This reserve will be reviewed and, if necessary, contributions amended every three to five years with the intention that the balance on the reserve at the end of the contract will be nil.

The percentage contributions rates for the three authorities are as follows:

Avon Fire Authority	50%
Gloucestershire County Council	25%
Somerset County Council	25%

As detailed in note 4 to the Revenue Account the Authority is committed to paying £1m a year over the next 25 years, which is 50% of the annual contract payments.

Changes

Pension costs

The Fire Authority's accounts have been prepared having regard to the relevant recommended accounting practices. A detailed statement of the Authority's accounting policies follows this foreword.

As indicated in the previous year's Statement of Accounts, full implementation of Financial Reporting Standard No. 17 (FRS17) – Retirement Benefits was required for 2003/04. This requires recognition of the estimated value of the net assets/liabilities of defined benefit pension schemes together with a pension reserve in the authority's balance sheet.

Additionally, the Revenue Account is now required to show the cost of providing retirement benefits to employees in the accounting periods in which the benefits are earned and not the cash payments to schemes or individuals. In accordance with regulations, adjustments made as a result of this accounting standard have no effect on the contributions made by the unitary authorities and therefore the amount charged to the council taxpayer.

Where appropriate, figures for 2002/03 have been amended to enable proper comparisons. More detailed information relating to this new requirement is contained in the Statement of Accounting Policies and the Notes to the Balance Sheet and Revenue Account.

The net pensions liability in the balance sheet at 31 March 2004 amounts to £193.1m compared with a liability of £185.2m at 31 March 2003. Of the liability at 31 March 2004, £191.2m relates to the Uniformed Firefighters, scheme which is an unfunded scheme, and £1.8m relates to the Local Government Scheme.

With regards to the uniformed firefighters scheme it needs to be recognised that pension payments will be paid out over a period of many years and that Central Government provides support each year towards the estimated cost of this unfunded scheme. This support is based on calculations of the projected net expenditure for all fire authorities pension schemes which are made by the Government Actuary's Department (GAD). There is a forecast increase in the liability shown in the accounts, compared with the previous year, of £8.8m which is largely as a result of the interest cost on pension liabilities.

In relation to the Local Government scheme, again pension payments will be paid out over a period of many years in which time fund assets will continue to generate returns to meet them. Also, fund assets are subject to large fluctuations in value depending on the state of the stock market. There is

a forecast reduction in the liability shown in the accounts, compared with the previous year, of £1.0m which reflects the general improvement in the market position during 2003/04.

The position shown in the 2003/04 accounts needs to be considered in the context of the triennial valuation of the pension fund at March 2004, the results of which will not be known until later in 2004. The outcome is expected to confirm a shortfall in the fund which is likely to result in increased employer contribution rates from 1 April 2005. The authority has made provision for this item in its medium term financial projections

Change to a major precepting authority

Under the Local Government Act 2003 the Avon Fire Authority becomes a major precepting authority with effect from April 2004. The main consequence of this is that instead of imposing a levy on the constituent Unitary Authorities, as at present, the Fire Authority will in future raise its revenue resources by precepting upon the Unitary Authorities. The difference is broadly that in future the fire authority's net expenditure will no longer form part of the constituent unitary authorities own expenditure, but instead the Fire Authority will set its own level of Council Tax which will be collected by the constituent unitary authorities on its behalf. In addition, with effect from 2004/05, the Fire Authority will need to provide for a prudent level of balances and reserves, something that it is not currently permitted to do.

Independent Auditor's Report to Avon Fire Authority

I have audited the statement of accounts on pages 13 to 35 which have been prepared in accordance with the accounting policies as set out on pages 8 to 12.

This report is made solely to Avon Fire Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Chief Financial Officer and Auditor

As described on page 35 the Treasurer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts presents fairly the financial position of the Authority and its income and expenditure for the year.

I review whether the statement on internal control on pages 36-39 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or

other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In my opinion the statement of accounts present fairly the financial position of Avon Fire Authority as at 31 March 2004 and its income and expenditure for the year then ended.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature: B Bethell

Date: 29 November 2004

Brian Bethell,
District Auditor
Westward House
Lime Kiln Close
Stoke Gifford
Bristol BS34 8SU

Statement of Accounting Policies

General

1. The Accounts and Audit Regulations 2003 require the Fire Authority to prepare and publish a statement of accounts. The accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting 2003 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), applicable Statements of Standard Accounting Practice (SSAP's) and Financial Reporting Standards (FRS's).

Accounting Concepts

2. The Statement of Accounts provides information about the Authority's financial performance and position for the year ended 31 March 2004. Except where specified in the Code of Practice, or in specific legislative requirements, it is the authority's responsibility to select and regularly review its accounting policies, as appropriate.
3. These accounts are prepared in accordance with a number of fundamental accounting principles, ie
 - €# Relevance
 - €# Reliability
 - €# Comparability
 - €# Understandability
 - €# Materiality
4. Additionally three further concepts play a pervasive role in the selection and application of accounting policies, estimation techniques and the exercise of professional judgement and hence the financial statements. These are:

Accruals

The financial statements are prepared on an accruals basis, ie transactions are reflected in the accounts of the period in which they take place, as opposed to the period in which payments are made or received. This does not apply to the Cash Flow statement.

Going concern

The accounts are prepared on the assumption that the Authority will continue its operations for the foreseeable future.

Primacy of legislative requirements

The Authority derives its powers from statute and its financial and accounting framework is closely controlled by primary and secondary legislation. Where legislative requirements and accounting principles conflict, legislative requirements take precedence.

Estimation Techniques

5. Estimation techniques are the methods adopted to assess the values of assets, liabilities, gains and losses and changes in reserves in situations where there is uncertainty as to their

precise value. Unless specified in the Code of Practice or in legislative requirements, the method of estimation will generally be the one that most closely reflects the economic reality of the transaction. The application of techniques will vary according to the item concerned, for example in particular in relation to capital accounting and pensions (see separate sections).

Fixed Assets

6. All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Capital assets yield benefits to the authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged to the revenue account.
7. Fixed Assets are valued on the basis recommended by CIPFA and in accordance with the statements of asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice. Freehold properties are revalued on a five yearly basis and adjusted to reflect market and construction price changes in the interim period between valuations, whilst other operational assets are revalued on an annual basis.
8. Income from disposal of fixed assets is accounted for on an accruals basis.

Charges to Revenue for Fixed Assets

9. The Revenue Account is charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a specified notional rate of interest of 3.5% (6% for 2002/03) of net asset values.
10. Depreciation is provided for on all assets with a finite useful life and is calculated on a straight-line basis.
11. In accordance with the Code of Practice, where a fixed asset incurs an impairment loss the loss is recognised. If this loss is caused by a clear consumption of economic benefits it will be recorded in the asset management revenue account and the revenue account, other impairments are recognised in the fixed asset restatement reserve.
12. External interest payable and the provision for depreciation are charged to the asset management revenue account, which is credited with capital charges made to the Brigade. Capital charges therefore have a neutral impact on the amount of contribution from the Unitary Authorities.
13. External interest is payable on borrowing from Bristol City Council and is calculated on the City Council's average rate of borrowing.

Deferred Charges

14. Capital expenditure, which does not result in the creation of an asset, is shown in the balance sheet as a deferred charge. This is amortised over an appropriate period, the length of which is determined by the benefit to be derived from the expenditure.

Redemption of Debt

12. Provision for the redemption of debt is made on the basis of an annual amount equivalent to 4% of the brigade's credit ceiling at the end of the previous year. This is the minimum revenue provision required by the Local Government and Housing Act 1989. Interest on external loans is accrued and appears as a charge to the asset management revenue account.
13. In 1996/97 the Authority received Supplementary Credit Approval (SCA) for borrowing to finance transitional costs incurred in the year. In accordance with the Secretary of State's specifications this SCA is being repaid on a straight line basis over seven years and this commenced in 2000-01.

Capital Receipts

14. Capital receipts from the disposal of assets is held in the capital receipts unapplied account until such time as they are allocated to finance other capital expenditure.

Reserves

15. Revenue reserves for the Gambia Project, HQ Temple Mess Club, New York Appeal and Arson Task Force are recorded in the balance sheet, details of which are set out in note 7 of the notes to the balance sheet.
16. The capital reserves recorded in the balance sheet are as follows:-
 - a). The fixed asset restatement reserve. This represents the balance of the surplus or deficit on the revaluation of fixed assets.
 - b). The capital financing reserve. This represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans.
17. From 2003/04, the balance sheet includes a pension reserve, representing the net pension liability at 31 March 2004.

Provisions

18. The authority makes provision for any liability or loss which is certain to be incurred but which is uncertain to the amount or the date on which it will arise. Existing provisions are detailed in note 6 of the notes to the balance sheet.

Stocks and Stores

19. The authority does not maintain separate stock accounts and treats all stock purchases as revenue expenditure incurred during the year. This is justified due to the policy of maintaining stock levels at a minimum and the high stock turnover.

Leasing

20. The Fire Authority had no outstanding finance leases at 31 March 2004. Commitments existing at 31 March 1996 were transferred to Bristol City Council in its capacity as Designated Authority.
21. The Authority utilises assets employed through operating lease agreements. Rentals payable under operating leases are charged to the revenue account on an accruals basis.

Costs of Support Services

22. The Code requires that charges or apportionments covering all support service costs are made to all service heads. It also requires that the costs of the corporate and democratic core (CDC), defined as all activities which local authorities engage in specifically because they are elected multi-purpose authorities, should be allocated to a separate objective service head and not apportioned to other service heads.
23. The required analysis of service expenditure is shown in note 1 to the Revenue Account and has been completed on the following basis:
Costs allocated to service heads comprise legal, personnel, financial, property-related services, IT, equalities and administrative buildings. Charges are based on a variety of methods, including allocated charges; apportioned charges based on service users full time equivalent staff or total budget and by reference to floor areas used.

Interest

24. Interest on balances is credited through the asset management revenue account.

Pension Costs

25. The Authority participates in two different pension schemes which meet the needs of different groups of employees. The first of these two schemes is for uniformed firefighters, an unfunded scheme, whilst the second is for APT&C and manual employees who are eligible to join the Local Government Pension Scheme which is a funded scheme. Both schemes provide members with defined benefits related to pay and service.
26. The Authority's accounts now reflect the new requirements of Financial Reporting Standard 17 – Retirement Benefits. Whereas this standard only required disclosures in each of the previous two years, 2003/04 is the first year of full integration of the new accounting adjustments within the Authority's balance sheet and revenue account. In the case of the pensions provision, this has been prudently accrued over a number of years. In 2004/05 (the first year of the Fire Authority becoming a 'stand alone' precepting authority) it will be necessary to reconsider the terminology and treatment of this.
27. For the Local Government Scheme the actuary to the pension fund has provided information in respect of the net pension fund liability for inclusion in the balance sheet together with the current service cost (the extent to which pensions liabilities have increased as a result of service during the year) which has been charged to the Revenue Account. The actuary has also assessed past service and curtailment costs – the capitalised value of

enhancements awarded in the year – which are charged as non-distributed costs, and the interest cost and expected return on assets, which are included in net operating expenditure.

28. The Uniformed Firefighters scheme is a national scheme and is unfunded. The actuary to the Local Government fund has provided information in respect of the pension liability for inclusion in the balance sheet together with the current service cost (the extent to which pensions liabilities have increased as a result of service during the year) which has been charged to the Revenue Account. The actuary has also assessed past service and curtailment costs – the capitalised value of enhancements awarded in the year – which are charged as non-distributed costs, and the interest cost which is included in net operating expenditure.
29. As required by legislation, the FRS17 based pension costs adjustments are reversed out in the Revenue Account by an appropriation to the pensions reserve and replaced by the actual pension payments made under the uniformed firefighters scheme and contributions made to the pension fund under the local government scheme during the year. The purpose of this is to ensure that the FRS17 adjustments have no effect on the total amount to be funded by the council taxpayer.
30. Further information on pension costs and the new accounting arrangements can be found in the notes to the Consolidated Revenue Account and the Consolidated Balance Sheet.

Private Finance Initiative (PFI) scheme

31. Under the Joint Training PFI scheme (details of which can be found in the explanatory forward) the Government provides some revenue support to the project in the form of grants (PFI credits), and the three authorities fund the balance by making contributions from within their own resources. The annual grants are received on a sliding scale, with a disproportionate amount being received in the first nine years of the contract. Therefore the contributions required from the three authorities are greatly reduced in the earlier years but are significantly increased over the last fifteen years of the contract.
32. In order to spread the contributions more evenly over the life of the contract an equalisation reserve is operated whereby surplus government credits and authority contributions in the early years are invested and used to reduce contributions in the later years. The reserve will be reviewed and, if necessary, contributions amended every three to five years with the intention that the balance on the reserve at the end of the contract will be nil.

Revenue Account for the Year Ending 31 March 2004

2002/2003		Gross	2003/2004	
Net		Expenditure	Income	Net
Expenditure		£'000	£'000	Expenditure
£'000				£'000
	Continuing Services			
26,443	Employees	31,788	(2,334)	29,454
1,263	Premises	1,283		1,283
1,091	Transport	1,248		1,248
2,850	Supplies & Services	3,197		3,197
355	Support Services	379		379
3,634	Capital Charges	2,791		2,791
1	Non Distributed Cost	30		30
(235)	Income	0	(627)	(627)
35,402	Net Cost of Services	40,716	(2,961)	37,755
(186)	Interest receivable			(215)
(4)	Investment income			(1)
9,203	Pension interest cost and Expected return on pension assets			10,289
44,415	Net operating expenditure			47,828
(1,888)	Asset management revenue a/c			(1,031)
(1,449)	Appropriation account			(1,390)
(7,130)	Movement on pensions reserve			(8,208)
33,948	Net amount met by Unitary Authorities			37,199
	Unitary Authority Contributions			
6,250	Bath and North East Somerset			6,892
12,297	Bristol			13,256
6,920	North Somerset			7,668
8,481	South Gloucestershire			9,383
33,948	Total Contributions			37,199

Signed

Terry Walker

M C Shorney

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Terry Walker
Chair of the Avon Fire Authority

.....
Malcolm Shorney
Treasurer of the Avon Fire Authority

Notes to the Revenue Account

1. Service Expenditure Analysis

In accordance with the CIPFA Best Value Accounting Code of Practice, the Authority's service expenditure is analysed below over the required service heads. The aim of this analysis is to provide financial information on a consistent basis to enable comparisons to be made between different fire brigades regardless of how they are organised.

2002/2003 £'000		2003/2004 £'000
2,388	Community fire safety	2,896
26,728	Fire fighting and rescue operations	28,295
6,011	Fire fighters pensions	6,250
38	Fire service emergency planning and civil defence	48
237	Corporate and democratic core and unapportionable central overheads	266
35,402	Net Cost of Services	37,755

2. Asset Management Revenue Account

The asset management revenue account records the charges made to the Brigade for the use of capital assets and the actual cost to the Authority of external interest and finance lease payments. The resulting surplus is shown in the revenue account.

Interest receivable and investment income is also credited to the asset management revenue account although these items have not been included in the surplus as they are required to be separately disclosed in the revenue account.

2002/2003 £'000		2003/2004 £'000
(3,634)	Income	
	Capital charges to revenue account	(2,791)
	Expenditure	
1,557	Provision for depreciation	1,525
189	Loan interest	235
(1,888)	Surplus to consolidated revenue account	(1,031)
(186)	Interest receivable	(215)
(4)	Investment Income	(1)
(2,078)		(1,247)

3. Lease Rentals

The amounts paid in respect of operating leases in 2003/04 and 2002/2003 and the amounts outstanding in respect of future years, are as follows:

2002/2003 £'000		2003/2004 £'000
361	Total rentals paid	411
	Outstanding undischarged leasing obligations:-	
347	Within 1 year	410
347	Between 1 and 2 years	404
340	Between 2 and 3 years	344
1,429	Over 3 years	1,447

4. **Undischarged obligations – Private Finance Initiative (PFI) scheme (Joint Training Centre)**

As set out in the Accounting policies, under a joint PFI venture, the Authority now receive a significant element of their fire training from VT Fire Training (Avonmouth) Ltd., a company contracted to provide the training until 31st March 2028. The training is supplied at the Joint Fire Training Centre, Avonmouth, a facility that the service provider designed, built, financed and now operates (DBFO) under the PFI contract. The Authority is committed to paying £1m a year over the next 25 years, which is 50% of the annual contract payments.

5. **Publicity Expenditure**

Section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of publicity expenditure. During 2003/2004 the Authority incurred expenditure totalling £30k, an analysis of which is as follows:

2002/2003 £'000		2003/2004 £'000
	Advertising	
12	Recruitment	24
0	Tender invitations	1
0	Fire Safety	2
3	Other	3
15	Total	30

6. **Pensions**

APT&C and Manual Employees

All staff, other than uniformed firefighters, are eligible to join the Local Government Pension Scheme (LGPS). The scheme is administered by Bath and North East Somerset Council and is called the Avon Pension Fund. The Fund provides members with benefits related to length of service and final salary. It is a 'defined benefit' scheme. The Fund's Actuary carries out a valuation of the Fund every three years in accordance with government regulations. If the valuation indicates that there are insufficient assets to meet future liabilities, employer contribution rates are increased to make up the shortfall. The last valuation of the Fund was undertaken at 31 March 2001, when the overall funding level was assessed at 99.4%. A contribution rate of 11.5% was recommended by the actuary for the Authority and this was applied from 1 April 2002. A valuation as at 31 March 2004 is currently being prepared and any changes to contribution rates will operate from 1 April 2005.

For 2003/04, the Authority paid an employer's contribution of £336k into the Avon Pension Fund. The adjustments made to the Revenue Account to meet the requirements of the new accounting standard, FRS17, are based on the following assessments by the Fund actuary:

- €# Current service (pension) cost of £303k (11.8% of pensionable pay)
- €# There is no reason to believe that the age profile of the membership has increased substantially since the 2001 valuation
- €# Past service/curtailment costs (ie arising from early retirement enhancements awarded in the year) of £30k
- €# Interest cost of pension liabilities is £569k
- €# Expected return on assets held by the scheme is £440k

Fire fighters

Uniformed firefighters are eligible to join the national scheme for fire fighters. This is an unfunded scheme and provides members with benefits related to length of service and final salary and is a 'defined benefit' scheme.

For 2003/04, the Authority made net pension payments of £6,115k to former uniformed firefighters. The adjustments made to the Revenue Account to meet the requirements of the new accounting standard, FRS17, are based on the following assessments by the actuary:

- €# Current service (pension) cost of £4,097k (24.3% of pensionable pay)
- €# Interest cost of pension liabilities is £10,160k
- €# The cost of spreading the unfunded accrued liability over 40 years would have cost an additional £7,035k (41.7% of pensionable pay)

To enable the above assessments to be made the actuary made assumptions on the following items:

- €# Rates of early / normal retirement
- €# Rates of ill health retirement
- €# Rates of mortality
- €# Rates of withdrawal from active membership
- €# Proportions married
- €# Age difference between husband and wife
- €# Allowance for salary increases due to age and promotion

7. Capital Financing - Minimum Revenue Position

The Authority is required by statute to set aside a minimum revenue provision for the redemption of debt of 4%:

2002/2003 £'000		2003/2004 £'000
2,418	Credit Ceiling at 1 April	3,089
108	MRP	136

8. Members' Allowances

In accordance with relevant legislation a Scheme of Allowances for Members of the Avon Fire Authority was approved during the year. Under this scheme, which was effective from May 2003, allowances totalling £30k were paid during 2003/04.

9. Employees Remuneration

The Authority is required to disclose the number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000. For 2003/2004 the information is as follows:

2002/2003 No. of Employees	Remuneration Band	2003/2004 No. of Employees
-	£50,000 - £59,999	-
3	£60,000 - £69,999	3
-	£70,000 - £79,999	-
1	£80,000 - £89,999	1

10. Related Party Transactions

The Code of practice requires disclosure of material transactions with 'related parties'. For 2003/2004 the appropriate items are as follows:

- a. Bristol City Council as a contributor to the funding of the Fire Authority - (£13,256k)
- b. Bath & North East Somerset as a contributor to the funding of the Fire Authority - (£6,892k)
- c. North Somerset as a contributor to the funding of the Fire Authority - (£7,668k)

- d. South Gloucestershire as a contributor to the funding of the Fire Authority - (£9,383k)
- e. HM Customs & Excise, as a significant part of each creditor payment involves payment to them - (£1,062k)
- f. The Inland Revenue, as a significant element of the Fire Authority's expenditure relates to payments for PAYE and National Insurance - (£6,795k)
- g. The Avon Pension Fund, administered by Bath & North East Somerset Council, as contributions paid over in respect of Fire Authority employees - (£2,321k)
- h. Bristol City Council as a provider of Financial Services to the Fire Authority – amount including the cost of servicing existing debt but excluding new borrowing - (£534k), new borrowing – (£861k)

11. Audit Commission Fees

Under the code of practice the Authority is required to disclose the fees payable to the Audit Commission for external audit services and inspection carried out in accordance with relevant legislative requirements. Details of these fees are as follows:

2002/2003 £'000		2003/2004 £'000
67	Fees payable with regard to external audit services carried out by the appointed auditor	73
0	Fees payable in respect of other services provided by the appointed auditor	22

The fees for other services payable in 2003/04 relates to a national study of modernisation in the fire service.

The Balance Sheet at 31 March 2004

31-Mar-2003 £'000		31-Mar-2004 £'000	£'000	Notes
	FIXED ASSETS			
	Operational assets			
31,573	- Land and Buildings		32,424	
4,458	- Vehicles, Plant and Equipment		4,231	
<u>36,031</u>	Total Operational Assets		<u>36,655</u>	1 to 4
130	Non-Operational Assets		<u>0</u>	
<u>36,161</u>	Total Fixed Assets		<u>36,655</u>	
	CURRENT ASSETS			
138	Debtors – general	1,149		
135	Debtors – other local authority	218		
143	Debtors – ministry	86		
4,810	Cash at bank	3,553		
10	Imprests	<u>81</u>		
<u>5,236</u>		<u>5,087</u>		
	LESS CURRENT LIABILITIES			
(136)	Borrowing repayable within 12 months	(165)		
(10)	Receipts in advance	(10)		
(1,674)	Creditors – external	(1,694)		
(500)	Creditors – ministry	-		
<u>(1,102)</u>	Creditors – other local authority	<u>(1,122)</u>		
<u>(3,422)</u>		<u>(2,991)</u>		
<u>1,814</u>	NET CURRENT ASSETS		<u>2,096</u>	
(2,953)	Long term borrowing	(3,649)		5
(185,221)	Pensions Liability	(193,067)		8
<u>(2,017)</u>	Provisions	<u>(2,189)</u>		6
<u>(190,191)</u>			<u>(198,905)</u>	
<u>(152,216)</u>	TOTAL ASSETS LESS LIABILITIES		<u>(160,154)</u>	
41,026	Fixed assets restatement reserve		42,105	
(8,039)	Capital financing reserve		(9,429)	
-	Capital receipts unapplied		223	
(185,221)	Pensions Reserve		(193,067)	8
18	Other Reserves		14	7
<u>(152,216)</u>	TOTAL EQUITY		<u>(160,154)</u>	

Signed

Terry Walker

.....
Terry Walker
Chair of the Avon Fire Authority

M C Shorney

.....
Malcolm Shorney
Treasurer of the Avon Fire Authority

Notes to the Balance Sheet

1. Fixed Assets

Details of the value of assets held at 31 March 2004 are shown below together with movements in the year:

2002/2003		2003/2004		
Total £'000		Land & Buildings £'000	Vehicles & Equipment £'000	Total £'000
41,877	Gross Book Value at 1 April 2003 (2002)	32,294	11,574	43,868
781	Additions	575	366	941
(1,276)	Disposals	(279)	(622)	(901)
2,486	Revaluation & Restatements	1,082	341	1,423
43,868	Gross Book Value at 31 March 2004 (2003)	33,672	11,659	45,331
(7,302)	Accumulated depreciation at 1 April 2003 (2002)	(591)	(7,116)	(7,707)
(1,557)	Depreciation for the year	(661)	(864)	(1,525)
1,152	Depreciation on assets sold	4	552	556
(7,707)	Accumulated depreciation at 31 March 2004 (2003)	(1,248)	(7,428)	(8,676)
36,161	Net Book Value at 31 March 2004 (2003)	32,424	4,231	36,655

2. Sources of Finance for Assets Acquired

a. Credit Approvals

In 2003/2004 the Authority received Basic Credit Approvals (BCA) of £838k which was further supplemented by previously transferred BCA of £731k which was received from Bristol City Council.

The Authority incurred capital expenditure of £941k which includes £165k owed to creditors at the year end. Expenditure of £861k including capital creditors from the previous year was funded from BCA.

b. Capital Receipts

Capital Receipts of £223k were received during the year from the sale of 2 properties. This amount has been set aside to fund capital expenditure in future years.

c. Summary

2002/2003			2003/2004	
£'000	£'000		£'000	£'000
		Sources of Finance available		
755		Basic Credit Approval (BCA)	838	
619		Transfer (BCA)	731	
152		Supplementary Credit Approval (SCA)	0	
0		Capital Receipts	223	
85		Capital Creditors	165	
	<u>1,611</u>			<u>1,957</u>
		Expenditure requiring funding		
316		Vehicles	366	
465		Land and Buildings	575	
(85)		Less Capital Creditors 03/04 (02/03)	(165)	
83		Add Capital Creditors 02/03 (01/02)	85	
	<u>779</u>			<u>861</u>

3. **Information on Assets held**

Fixed asset owned by the Authority include the following:

Number as at 31/03/2003		Number as at 31/03/2004
	Land and buildings	
23	Fire Stations	23
1	Brigade HQ	1
1	Command and Control Centre	1
1	Emergency Control	1
1	Vehicle Workshops	1
1	Hot Fire Training Centre	1
6	Fire Houses	4
	Vehicles and Equipment	
51	Operational Vehicles	49
66	Ancillary Vehicles	65

4. Fixed Asset Valuation

The freehold properties which comprise the Authority's property portfolio were reviewed by Bath and North East Somerset Unitary Authority during 2004 on the undermentioned basis in accordance with the statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Properties regarded by the Authority as operational were reviewed on the basis of open market value for their existing use or, where this could not be assessed, because there was no market for the subject asset eg. fire stations, the depreciated replacement cost. Properties regarded by the Authority as non-operational have been valued on the basis of open market value for existing use.

The results of the above review of freehold properties were included within the accounts for 2003/04

Vehicles, plant and equipment have been valued on the basis of depreciated replacement cost.

The finite useful life of the Authority's assets on which depreciation has been provided are estimated as follows:

	<u>Years</u>
Fire Appliances	13-17
Other Vehicles	6-12
Compressors	20
Communication equipment	12
Computer equipment	5

5. Analysis of Borrowing

The loans outstanding have been raised through Bristol City Council. Loans repayable during 2004/2005 are shown as short term borrowing in the Balance Sheet. The maturity of long term loans is as follows:

<u>2002/2003</u> <u>£'000</u>		<u>2003/2004</u> <u>£'000</u>
131	Between 1 and 2 years	159
351	Between 2 and 5 years	415
456	Between 5 and 10 years	568
2,015	Over 10 years	2,507
<u>2,953</u>	Total long term borrowing at 31 March 2003 (2002)	<u>3,649</u>

6. Provisions

	1 April 2003 £'000	Receipts in year £'000	Payments in year £'000	31 March 2004 £'000
Insurance	175	123	65	233
Fire Hydrants	87	38	38	87
Training Centre	73	0	0	73
Fire Alarms	1	0	1	0
Pension	1,631	411	352	1,690
AMP\Building Investigative works	50	0	0	50
Transport	0	48	0	48
Legal Claims	0	8	0	8
	2,017	628	456	2,189

a. Insurance Provision

The insurance provision has been created to meet the cost of employee liability claims. As claims may not be settled for a considerable length of time the provision is based on the previous claims experience of the Authority. As claims are settled they are charged to this provision.

b. Fire Hydrants

A provision has been created in respect of outstanding maintenance commitments.

c. Training Centre Provision

This provision is intended to fund work relating to the proposed joint training centre scheme. The funding was provided via an insurance settlement and it is anticipated that that it will be utilised in 2004/2005.

d. Pensions

A provision has been created to meet anticipated pension costs. The balance brought forward also included continuity of service works. This latter sum is now largely spent.

e. AMP\Building Investigative works

A provision has been created for works associated with the Authority's asset management plan (AMP) and building investigative works. It is anticipated that that it will be utilised in 2004/2005.

f. Transport

This provision has been created to provide a contribution to the capital programme for transport related expenditure. It is anticipated that this provision will be utilised in 2004/05.

g. Legal Claims

This provision has been set up to cover a potential liability arising from a claim against the Authority. It is anticipated that this matter will be resolved during 2004/05

h. Provision for credit liabilities (memorandum account)

In accordance with statutory requirements the Brigade is required to set aside sums as a provision to repay external loans. The Brigade does not keep an account within the accounting records for the PCL as there is no need to do so, but a memorandum account is maintained which is set out below:

	£'000
Amount brought forward at 1 April 2003	0
Minimum Revenue Provision	121
Repayment of SCA	14
	<hr/> 135
Net repayment of external loans	(135)
Balance at 31 March 2004	<hr/> 0

7. **Other Reserves**

	1 April 2003 £'000	Receipts in year £'000	Payments in year £'000	31 March 2004 £'000
Gambia appliance reserve	(8)	23	15	0
HQ Temple Mess Club	6	26	37	(5)
New York Appeal	1	1	1	1
Car Clear Scheme	18	0	18	0
Memorial Fund	1	8	9	0
Arson Task Force	0	18	0	18
	<hr/> 18	<hr/> 76	<hr/> 80	<hr/> 14

a. Gambia Reserve

The Gambia Reserve represents the balance of donations received over expenditure for the transfer of obsolete fire engines and equipment to the Gambia.

b. HQ Temple Mess Club

The balance on the HQ Temple Mess Club, which is funded separately by its members, has been incorporated into the financial statements.

c. New York Appeal

Following the events of 11 September 2001 donations have been received which will be forwarded to the New York Fire Service.

d. Home Office Car Clear Scheme

The unused balance of funding from the Arson Control Forum (ACF) Implementation Fund received during 2002/03 towards the car clear scheme initiative where abandoned vehicles are cleared before they are set on fire was utilised during 2003/2004.

e. Memorial Fund

Donations were received during 2002/03 and 2003/04 towards the cost of a memorial statue. The balance on this fund was utilised during 2003/2004.

f. Arson Task Force

Funding from the Arson Control Forum (ACF) Implementation Fund was received during 2003/04 towards the arson task force initiative the overall aim of which is the prevention of fire. This new initiative includes not only the clearance of abandoned vehicles but also advising the public and businesses in ways of preventing all types of arson. The funding received is for expenditure on this initiative only and any amount not utilised is being carried forward for use on this scheme in future years.

8. Pension Assets and Liabilities

In accordance with the requirements of Financial Reporting Standard No. 17 - Retirement Benefits (FRS 17), calculations have been made by the actuary, on behalf of the Fire Authority, of the estimated value of future liabilities for pensions earned by its employees and the value of any assets held in pension funds to provide for these. The net position, estimating what the Authority's potential liability for future pensions could be, is included in the balance sheet. The liability also takes account of enhanced benefits in cases of early retirement which are approved by and paid directly by the Authority, under discretionary powers.

As explained in note 6 to the Revenue Account the Fire Authority participates in two schemes, the Firefighters scheme for uniformed fire fighters which is unfunded and the Local Government Scheme for other employees (administered by Bath and North East Somerset Council).

With regards to the Local Government Scheme a formal valuation of the Fund is carried out every three years by the actuary. If this shows that the fund has insufficient assets to meet its future liabilities, participating organisations must, by law, make additional contributions

to make up the shortfall. The amounts in the financial statements are based on the most recent completed valuation that was undertaken as at March 2001.

The Fire Fighters Pension Scheme is a nationally approved unfunded scheme. In calculating the level of financial support that Central Government gives to Local Authorities each year, through Revenue Support Grant (RSG) and the redistribution of Business Rates, account is taken of the pension payments due under this scheme. The Avon Fire Authority also calculates annually its estimated future fire fighters pension liabilities for the next 10 years and the estimated costs of these future pensions are reflected in the Fire Authority's medium term financial plans. In addition, as highlighted in note 6 to the Balance Sheet, the Fire Authority has a provision for anticipated pension costs which will be utilised to fund any short term deficit.

The estimated assets and liabilities included in the Authority's balance sheet are as follows:

2002/03		2003/04		
Total £'000		Local Government Scheme £'000	Fire Fighters Scheme £'000	Total £'000
6,598	Share of market value of assets in Avon Pension Fund	8,326	0	8,326
(191,819)	Liabilities	(10,146)	(191,247)	(201,393)
(185,221)	Deficit	(1,820)	(191,247)	(193,067)

The movement in estimated liabilities during 2003/04 are as follows:

	Local Government Scheme £'000	Fire Fighters Scheme £'000	Total £'000
Net deficit at beginning of year	(2,816)	(182,405)	(185,221)
Current Service Cost	(303)	(4,097)	(4,400)
Employer Contributions\Payments	336	6,115	6,451
Past Service Cost\Curtailment Cost	(30)	0	(30)
Net Interest\Return on Assets	(129)	(10,160)	(10,289)
Actuarial gain \ (loss)	1,122	(759)	363
	(1,820)	(191,306)	(193,126)
<u>Add</u> Pension Provision at start of year		(1,631)	(1,631)
<u>Less</u> Pension Provision at year end	0	1,690	1,690
Net deficit at end of year	(1,820)	(191,247)	(193,067)

The net deficit at the beginning of the year on the fire fighters scheme includes an adjustment of £13.7m in respect of injury pensions which had been omitted from the previous year's calculations. The net deficit has increased from £185.2m to £193.1m during the year largely as a result of interest cost on pension liabilities.

Actuarial losses arise from a change in actuarial assumptions or from events not coinciding with previous assumptions.

Statement of Actuarial Gains and (Losses)

	Local Government Scheme £'000	Fire Fighters Scheme £'000	Total £'000
Asset gain \ (loss)	1,122	0	1,122
Liability loss	0	(759)	(759)
Change in assumptions	0	0	0
Net loss	1,122	(759)	363

The above actuarial gains\ (losses) expressed as a percentage of the schemes assets or liabilities is as follows:

	Local Government Scheme	Fire Fighters Scheme
Asset gain	13.5% of assets	0% of assets
Liability loss	0% of liabilities	(0.4%) of liabilities
Change in assumptions	0% of liabilities	0% of liabilities
Net gain \ (loss)	11.1% of liabilities	(0.4%) of liabilities

The interest on pension liabilities and expected return on assets are:

	Local Government Scheme £'000	Fire Fighters Scheme £'000	Total £'000
Expected return on assets	440	0	440
Interest on Pension Liabilities	(569)	(10,160)	(10,729)
Net gain \ (cost)	(129)	(10,160)	(10,289)

The assets included within the Local Government Scheme have principally been valued at market value for investments. The split of investments between categories, together with the expected rate of return on each is as follows:

Assets at 31 March 2003				Assets at 31 March 2004		
£'000	%	Rate of Return %		£'000	%	Rate of Return %
4,572	69.3%	7.5%	Equities	6,220	74.7%	7.5%
1,452	22.0%	4.5%	Government Bonds	1,207	14.5%	4.7%
277	4.2%	5.4%	Other Bonds	824	9.9%	5.5%
0	0.0%	6.5%	Property	0	0.0%	6.5%
297	4.5%	3.8%	Other	75	0.9%	4.0%
<u>6,598</u>			Total	<u>8,326</u>		

The liabilities under the Local Government Scheme are valued on an actuarial basis using the projected unit method which assesses the future liabilities of the Fund, discounted to their present value. The valuations are based on the valuation as of 31 March 2001, updated for the following year, by William M. Mercer the independent actuary to the Avon Fund. The main financial assumptions used in the calculations are:

	Beginning of year	End of year
Rate of inflation	2.5%	2.8%
Rate of increase in salaries	3.5%	3.8%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	6.0%	6.3%

The actuary has not carried out any specific investigations in relation to whether the average age of the membership has increased, but does not believe that there have been substantial changes since the 2001 valuation. For any employers who are not admitting new entrants to the Fund, the average age can be expected to increase gradually over time.

The same actuary was also engaged by the Authority to calculate the accrued liabilities under the Fire Fighters Scheme in accordance with the guidance issued by CIPFA. The main financial assumptions used in the calculations are:

	Beginning of year		End of year	
Rate of inflation	2.5%		2.8%	
Rate of increase in salaries	3.5%	*	3.8%	*
Rate of increase in pensions	2.5%		2.8%	
Rate for discounting scheme liabilities	6.0%		6.3%	

* plus a salary scale to allow for promotional effects.

Notes to the Statement of Movement in Reserves

1 Movements in realised capital resources:

	Usable Capital Receipts £'000s
Amounts receivable in 2003/2004	223
Amounts applied to finance new capital investment in 2003/2004	(0)
Total increase / (decrease) in realised capital resources in 2003/04	223
Balance brought forward at 1 April 2003	0
Balance Carried forward at 31 March 2004	223

2. Movements in unrealised value of fixed assets and value of assets sold, disposed of or decommissioned:

	Fixed asset restatement reserve £'000s
Movements in unrealised value of fixed assets	
Gains / losses on revaluation of fixed assets in 2003/2004	1,423
Total increase / (decrease) in unrealised capital resources 2003/2004	1,423
Value of assets sold, disposed of or decommissioned	
Amounts written off fixed asset balances for disposals in 2003/2004	(344)
Total movement on reserve in 2003/2004	1,079
Balance brought forward at 1 April 2003	41,026
Balance carried forward at 31 March 2004	42,105
<p>The balance on this reserve represents the difference between the valuation of assets under the previous system of capital accounting and current revaluations. The reserve is adjusted in future years in respect of further revaluations and in respect of the enhancement / disposal of assets, where appropriate.</p>	

3. Movements in amounts set aside to finance capital investment:

	Capital financing reserve £'000s
Movements in amounts set aside to finance capital investment	
Capital receipts set aside in 2003/2004: - useable receipts applied	0
Total capital receipts set aside in 2003/2004	0
Revenue resources set aside in 2003/2004: - reconciling amount for provisions for loan repayment	(1,390)
Total movement on reserve in 2003/2004	(1,390)
Balance brought forward at 1 April 2003	(8,039)
Balance carried forward at 31 March 2004	(9,429)
<p>The capital financing reserve contains the amounts which are required by statute to be set aside from capital receipts and revenue for the repayment of loans and the amount of capital expenditure financed from revenue and useable capital receipts. This reserve, however, is not reduced when debt is actually repaid - this is disclosed separately in the provision for credit liabilities (memorandum account) - see note 6 to the Balance Sheet.</p>	

Cash Flow Statement

2002/2003 £'000		2003/2004 £'000	£'000	Notes
	Revenue Activities			
	Cash outflows			
28,343	Cash paid to and on behalf of employees	31,857		
5,334	Other operating costs	7,058		
<u>33,677</u>			38,915	
	Cash inflows			
(33,948)	Unitary Authorities Contribution	(37,199)		
(4)	Rent	(1)		
(166)	Cash received for goods and services	(285)		
42	Other revenue cash payments / income	(174)		
<u>(34,076)</u>			(37,659)	
<u>(399)</u>	Revenue Activities Net Cash (Inflow) /Outflow		<u>1,256</u>	1
	Returns on Investments and Servicing of Finance			
	Cash outflows			
151	Interest paid	189		
0	Interest element of finance lease rental payments	0		
	Cash inflows			
(232)	Interest received	(226)		
<u>(81)</u>			(37)	
	Capital Activities			
	Cash outflows			
779	Purchase of Fixed Assets	861		
0	Other Capital Payments	0		
	Cash inflows			
0	Sales of Fixed Assets	(223)		
<u>779</u>			638	
<u>299</u>	Net Cash (Inflow) / Outflow Before Financing		<u>1,857</u>	
	Financing			
	Cash outflows			
85	Repayments of amounts borrowed	108		
	Cash inflows			
(609)	New loans raised	(779)		
<u>(524)</u>			(671)	
<u>(225)</u>	Net increase in cash		<u>1,186</u>	2

Notes to the Cashflow Statement

1. Reconciliation to Revenue Account

2002/2003 £'000		2003/2004 £'000
0	Deficit (Surplus) on revenue account for the year	0
	Non-cash transactions	
180	(Increase) \ decrease in provisions	(172)
20	Decrease in reserves	4
	Items on an accruals basis	
(103)	Increase \ (decrease) in debtors	1,037
(324)	(Increase) \ decrease in creditors	460
	Items classified in another classification in cashflow statement	
2	Increase in capital creditors	80
(170)	Increase in Capital Financing debtor	(82)
232	Interest received	226
0	Investment Income	0
(85)	Capital – Principal	(108)
(151)	Capital – Interest	(189)
<u>(399)</u>	Net Cash from Revenue Activities	<u>1,256</u>

2. Reconciliation of Movement in Cash

	Balance 1/4/2003 £' 000	Balance 31/3/2004 £' 000	Movement in the year £' 000
Cash at bank	4,810	3,553	1,257
Cash held in imprest accounts	10	81	(71)
	<u>4,820</u>	<u>3,634</u>	<u>1,186</u>

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;

to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;

approve the statement of accounts.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASACC Code of practice on Local Authority Accounting in the United Kingdom. The statement of accounts presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2004.

In preparing this statement of accounts, the Treasurer has:

selected suitable accounting policies and then applied them consistently;

made judgements and estimates that were reasonable and prudent;

complied with the code of practice.

The Treasurer has also;

kept proper accounting records which were up to date;

taken reasonable steps for the prevention and detection of fraud and other irregularities.

M C Shorney

Malcolm Shorney
Treasurer

Date 27/08/04

Avon Fire Authority

Statement on Internal Control

1 Scope of Responsibility

The Fire Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

This is supported by a responsible budgeting process, including a full assessment of the need for balances in line with CIPFA and government guidelines.

2 The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control described has been largely put in place at the Fire Authority during the year ended 31 March 2004 and is correct at the date of approval of the annual report and accounts.

Further work will take place in relation to management arrangements during the year.

3 The Internal Control Environment

I Establishing and monitoring the achievement of the authority's objectives.

The Fire Authority has set out its priorities in its best value plan and is developing a capital plan for next year. Its current capital programme was considered as part of the budget making process.

Both of these are considered and identified in its budget setting processes and the budget report.

Monitoring during the year is achieved via capital and revenue monitors as well as performance indicators in the Best Value Performance Plan.

The Fire Authority is also taking significant steps to meet the requirements of the modernisation programme and this will be kept under review during the year.

This needs to be considered alongside a risk management plan which is currently being developed, but which will build on the Authority's continuity of service developments.

II The facilitation of policy and decision making

Policy and decision making is formally made by the Fire Authority. The Fire Authority is responsible for setting the budget and precept.

This is backed up by a Performance Management Forum together with open forums at meetings of the Fire Authority.

III Ensuring compliance with established policies, procedures, laws and regulations.

The Monitoring Officer carries overall responsibility for legal issues.

Procedures are covered by financial, human resources and prudential guidelines.

Additionally the Authority is developing its risk management procedures and a risk framework register is being produced. Operational risk management is well embedded in processes together with health and safety procedures.

IV Ensuring the economical, effective and efficient use of resources

The Authority has considered some services under a best value regime and continues to consider strategic reviews (such as IRMP). Several services are likely to be developed on a regional basis under the auspices of the South West Regional Management Board, a statutory joint committee set up in compliance with government policy.

Financial savings have been identified to the IRMP subject to full implementation. The Performance Management Forum also reviews key outcomes.

V The financial management of the authority

The Authority has contained expenditure within budget each year since its inception in 1996 and continues to receive an unqualified audit opinion. The Authority is well placed to fund the operational pay awards. Several of its financial services are provided by Bristol City Council under a medium term contract. The City Council has received a score of 3 (maximum 4) for its CPA in relation to financial services.

Unlike many fire authorities, prudential budgeting over the years has allowed the Authority to create a substantial pension provision.

Regular reports are made to members to monitor capital and revenue spend in relation to budgets, as well as to the Brigade Management Board.

Development and maintenance of financial management systems is undertaken in liaison with the Authority's Financial Services Provider (Bristol City Council). Systems include;

- €# comprehensive budgeting systems on a medium term basis
- €# setting targets to measure financial and other performance
- €# the preparation of regular financial reports which compare forecasts with budgets for revenue expenditure
- €# regular capital monitoring reports which compare actual expenditure plus commitments to budgets
- €# clearly defined capital and revenue expenditure guidelines.

In addition:-

- €# PRINCE 2 is being developed for selected project management issues, determined on a risk basis
- €# it is intended to enhance finance training for cost centre managers and budget holders
- €# a comprehensive review of financial regulations, based on the CIPFA model is being undertaken following the designation of the Authority as a major precepting authority

The effectiveness of the system of financial management is informed by:

- €# risk management procedures
- €# the work of the internal auditors, and
- €# the external auditors in their annual audit letter and other reports
- €# the role carried out by the Authority's finance officer and Treasurer
- €# written assurances from the main corporate financial system managers (CFM, Payroll, Debtors and Creditors) via the Financial Services Provider
- €# the work of the Brigade Management Board

VI *Performance management and its reporting*

The Authority has a series of performance indicators and targets used to measure its progress and standards. Full details of these measures are contained in the Best Value Performance Plan.

This will be reported through the Performance Management Forum to the Fire Authority.

The Audit Commission will be carrying out a Comprehensive Performance Assessment (CPA) of all fire authorities from 2005.

4. Review of Effectiveness

Authorities have responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Brigade Management Board, and also by comments made by the external auditors and other review agencies and inspectorates.

€# The Fire Authority, as a single-purpose authority, does not have a formal Scrutiny Management Committee. However the Performance Management Forum, which includes elected members, carries out this role.

€# Internal Audit, a service provided by the Authority's Financial Services Provider, is independent and objective. It undertakes a cyclical review of the financial systems, based partly on a risk analysis of the functions undertaken. Key financial systems are reviewed on an annual basis. In addition Internal Audit carries out other ad hoc responsive investigations relating to the Authority's control framework. This aspect of the work also contributes to the maintenance of a sound system of internal financial control. Internal Audit has achieved or partly achieved all the mandatory standards set out in the CIPFA Code of Practice 2000. Internal Audit provides an annual report to the Authority on the work it has undertaken during the year.

5. Significant Internal Control Issues

The District Auditor recommended (in a statutory recommendation) that the Authority should review the arrangements for recording and collating performance information. These arrangements have now been reviewed. Significant work is also being undertaken in relation to IT arrangements and an action plan has been drawn up. Most of the issues raised by auditors have now been addressed.

6. Transitional Arrangements

An advisory statement was not issued on the relationship between the statement and the requirements of the Accounts and Audit Regulations 2003 until the spring of 2004.

Nevertheless, the Authority is well aware of its responsibilities in this respect and the statement sets out the current position.

This will be developed further during 2004/05.

Chief Fire Officer K Pearson

Chair Terry Walker

Date: 27/08/04

Corporate Governance Code

Statement of Assurance 2003 - 2004

The Fire Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for.

To this end members and senior officers are responsible for ensuring that proper arrangements exist for the governance of the Fire Authority's affairs and stewardship of its resources.

The Fire Authority has prepared and adopted a code of corporate governance which is consistent with the framework document 'Corporate Governance in Local Government: A Keystone for Community Governance'.

An independent review of the adequacy and effectiveness of the Code and the extent of compliance will be carried out by the Fire Authority's internal auditor as part of the Financial Services Contract. This will be included in an annual report to the Fire Authority.

The Chief Fire Officer and the Brigade Management Board have considered and agreed the code and will ensure that it is consistently applied.

Signed

Terry Walker

K Pearson

Terry Walker
Chair of the Fire Authority

Kevin Pearson
Chief Fire Officer

on behalf of the members and senior officers of the Fire Authority.

Avon Fire Authority

Corporate Governance Code

Dimension 1: Community Focus

Through carrying out its general and specific duties and through exerting wider influence, Avon Fire Authority will:-

- work for and with the communities of the area covered by the four unitary authorities: - Bristol, South Gloucestershire, Bath & North East Somerset & North Somerset
- exercise leadership in the community
- prevent fires occurring by educating and advising the communities served
- protect the people, property and environment from risk of fire
- respond to fires and other emergencies when they do occur
- undertake an ‘ambassadorial’ role where appropriate, through maintaining effective arrangements:
 - * for explicit accountability to stakeholders for the authority’s performance and its effectiveness in the delivery of services and the sustainable use of resources
 - * to demonstrate integrity in the authority’s dealings in building effective relationships and partnerships with other public agencies and the private/voluntary sectors
 - * to demonstrate openness in all its dealings
 - * to demonstrate inclusivity by communicating and engaging with all sections of the community to encourage active participation
 - * to develop and articulate a clear and up-to-date vision and community and corporate strategy in response to community needs

The Fire Authority will:-

- 1) publish annually the corporate plan setting out its overall objectives and priorities for three years ahead;
- 2) commit itself to openness in its dealings except where it is proper and appropriate to preserve confidentiality, by basing its constitution on open decision making with meetings open to the public with provision for public forum sessions. Agenda, reports and decisions of meetings are publicly available.

- 3) maintain clear communication and consultation channels with all sections of the community and its stakeholders.
- 4) publish on a timely basis, an annual Best Value Performance Plan, presenting an objective and understandable account and assessment of the authority's current performance in service delivery and plans for improvement.
5. consider a three year medium term financial plan and consult formally on its budget options and priorities for the forthcoming year.
6. publish, on a timely basis, an annual statement of accounts, presenting an objective and understandable account of the authority's financial position and performance.
7. maintain proper arrangements for the independent review of financial and operational reporting processes, through a positive relationship with the external auditor and other external inspectors.

Avon Fire Authority

Corporate Governance Code

Dimension 2 - Service Delivery

Avon Fire Authority will ensure that continuous improvement is sought, agreed policies are implemented and decisions carried out by maintaining arrangements which:

- provide for accountability for service delivery at a local level;
- set effective targets and monitor performance against these;
- demonstrate integrity in dealings with service users and develop partnerships to ensure the right services are provided locally;
- provide for openness and inclusivity through consultation with all key stakeholders;
- are regularly reviewed and flexible to accommodate change and to meet users requirements.

The Fire Authority will:

- 1) set standards and targets for performance through the production of the best value performance plan and the authority's equalities policies which are monitored by the Brigade Management Board. The Fire Authority is also reviewing performance through reviews which examine all aspects of cost and service delivery.
- 2) formally monitor performance against agreed plans with the annual plan approved by the Authority.
- 3) ensure that resources are allocated according to priorities primarily through links between service and community needs linked to both the annual budget process and the authority's medium term financial plan. This requires in particular identification of budget pressure points.
- 4) maintain an effective review process to ensure services are clearly challenged, stakeholders and customers are properly consulted, services are appropriately compared and competition openly addressed.

- 5) ensure the necessary management tools and skills are in place to deliver effective programme and project management in order to maximise the impact of limited resources on the quality of life of all citizens in the Fire Authority's area.

This will include an integrated risk management plan.

Avon Fire Authority

Corporate Governance Code

Dimension 3: Structures and Processes

The principles of corporate governance require the establishment of effective political and managerial structures and processes in order to:

- define the roles and responsibilities of members and officers
- ensure review of performance
- ensure a proper balance of power and authority
- ensure structures and processes are documented, communicated, understood, open, inclusive and up to date.

The Fire Authority will:

- 1) document protocols governing relationships between members and officers through the constitution together with a protocol on member officer relations;
- 2) define relative roles and responsibilities of members and senior officers. There are also specific requirements in relation to Chief Fire Officer, Treasurer and the Clerk to the Authority. Records of decisions are also kept for each Fire Authority meeting;
- 3) ensure that members meet on a regular and formal basis to include setting of the strategic direction of the authority and monitoring service delivery;

To do this schedules of authority meetings are published, together with performance indicators, action plan requirements, financial standards, and regulations;

- 4) develop and continue to maintain, a scheme of delegated and reserve powers including formal requirements for certain matters specially reserved for collective decision by the authority;
- 5) maintain clearly documented management processes which are capable of review, together with proper schemes of monitoring, control and reporting;
- 6) enable members to have access to adequate training and to all relevant information and resources to enable them to carry out their roles;

- 7) assist members to understand their role, including the need to provide strategic leadership thus ensuring that overall responsibilities are discharged;
- 8) maintain and review clearly defined roles and responsibilities;
- 9) maintain the role of a specific officer - the Chief Fire Officer to include responsibility for overall operational management of the authority;

This is included within the requirement of this position.

- 10) requires senior officers to be responsible for ensuring advice is given on financial matters, including the maintenance of proper records and accounts and systems of internal financial control;

This includes the statutory post of Chief Financial Officer (ie. the Treasurer), various statutory reporting needs, officer employment rules, budget and budget review documentation and the review process.

- 11) have a senior officer who ensures that procedures are properly adhered to and that relevant statutes, regulations and statements of good practice are complied with;

This is primarily achieved through the statutory post of Monitoring Officer held by the Clerk to the Authority, job specification, and employment rules;

- 12) define senior officers' roles and responsibilities, together with their terms of remuneration through an approved set of management structures, job specifications and defined pay and conditions of service;

- 13) ensure protocols are maintained, acknowledging and supporting community leadership and the code of conduct and protocol for members and officers together with the working relationships which have evolved with the private and voluntary sectors across the Avon Fire Authority area.

Avon Fire Authority

Corporate Governance Code

Dimension 4 - Risk Management and Internal Control

The Fire Authority will demonstrate that it has established and maintained a systematic strategy, framework and process for managing risk. Taken together these arrangements will:-

- make public statements to stakeholders on the Authority's risk management strategy, framework and processes to demonstrate accountability
- include mechanisms for monitoring and reviewing effectiveness against agreed standards and targets and the operation of controls in practice
- demonstrate integrity by being based on robust systems for identifying, profiling, controlling and monitoring all significant strategic and operational risks
- display openness and inclusivity by involving all those associated with planning and delivering services, including partners
- include mechanisms to ensure that the risk management and control process is monitored for continuing compliance to ensure that changes in circumstances are accommodated and that it remains up to date.

Whilst the framework generally includes management of risk, the Business Services Manager is working with Brigade officers to further develop existing processes. The following processes are in place or under review:-

- 1) the Fire Authority is taking significant steps to meet the requirements of the modernisation programme.
- 2) operational risk management is now well embedded in processes.
- 3) Health and Safety procedures are in place to minimise risks attaching to these.
- 4) a risk framework register is being produced.
- 5) a substantial Integrated Risk Management Plan has been produced and has been widely consulted upon.
- 6) the Fire Authority has been amongst the front runners in taking action to ensure continuity of service.

7) PRINCE 2 is being developed for selected project management training.

The Authority will also:

- a) put in place and maintain effective risk management systems, including systems of internal control and an internal audit function. Through effective management arrangements, comprehensive schemes of delegation, an independent and objective internal audit function and appropriate regulations (eg financial and procurement) the Fire Authority will ensure its compliance with all applicable legislation, regulations and relevant statements of best practice. In this way it will ensure that public funds are properly safeguarded, are used economically, efficiently and effectively and in accordance with the statutory or other authorities that govern their use.
- b) ensure that through effective job descriptions and employee specifications, and in accordance with approved training plans, services are delivered by trained and experienced people.
- c) put in place effective arrangements for the objective review of the risk management and internal control via sound management arrangements and an independent and objective audit function.
- d) through positive responses to valid recommendations in inspectorate reports and the Annual Audit Letter and other audit reports, and in regular liaison meetings with key senior officers and members, the Fire Authority will maintain an objective and professional relationship with its external auditors and statutory inspectors.
- e) publish, on a timely basis, the statutory Statement of Accounts to include the Fire Authority's Statement of Assurance.

Avon Fire Authority

Corporate Governance Code

Dimension 5 - Standards of Conduct

The openness, integrity and accountability of all members and employees within the Avon Fire Authority forms the cornerstone of effective corporate governance. The reputation of the Fire Authority depends on the standards of behaviour of everyone within it, whether members, employees or agents contracted to it.

Therefore Members and senior officers of the Fire Authority will:-

- exercise leadership by conducting themselves as role models for others within the authority to follow
- define standards of personal behaviour that are expected from Members and staff, and all those involved in service delivery, and put in place arrangements to ensure:-
 - * accountability, through establishing systems for investigating breaches and disciplinary problems and taking action where appropriate including arrangements for redress
 - * effectiveness in practice through monitoring their compliance
 - * objectivity and impartiality are maintained in all relationships to demonstrate integrity
 - * that such standards are documented and clearly understood to display openness and inclusivity and are reviewed on a regular basis to ensure they are kept up to date

The Fire Authority will:

- 1) continue to give a high priority to developing formal codes of conduct which define the standards of personal behaviour to which individual Members, employees and agents are required to comply. These codes will include:
 - * the Code of Conduct
 - * the Member/Officer Protocol

* relevant anti-fraud processes

* complaints procedures

Through the normal management arrangements, the roles of the Clerk to the Authority and the Treasurer and independent reviews undertaken by Internal Audit, systems and processes will be put in place to ensure compliance, and to provide the Fire Authority with assurances to that effect.

- 2) put in place ongoing arrangements to ensure that Members and employees of the Fire Authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These arrangements will be enshrined in the Financial Regulations and Standing Orders. The assurance mechanisms also referred to at (1) above will ensure the arrangements continue to operate in practice.
- 3) through the codes referred to above, and the same assurance arrangements, the Fire Authority will ensure their procedures and operations are designed in conformity with appropriate ethical standards and continue to comply in practice.